

Message Text

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ACTION ARA-20

INFO OCT-01 EA-11 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-15 STR-08

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FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 3460

INFO AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: EFIN, AR

SUBJ: POSSIBLE JAPANESE PRIVATE BANK LOAN TO ARGENTINA

1. TOSHIO OZEKI, VICE PRESIDENT NIKKO SECURITIES CO. INTERNATIONAL, NEW YORK, HAS ADVISED EMBASSY OF POSSIBLE \$60 TO 80 MILLION LOAN TO GOA THROUGH PRIVATE JAPANESE INVESTMENT BANKS. OZEKI CALLED ON EMBASSY AUG 28 BEFORE MEETING WITH GOA OFFICIALS, WHO HE SAID HAD ASKED HIM ABOUT POSSIBILITY SUCH LOAN DURING HIS EARLIER VISIT TO ARGENTINA FEW WEEKS AGO. PRELIMINARY PROPOSAL WHICH OZEKI BROUGHT WITH HIM THIS TRIP CONSISTED OF PACKAGE OF ABOUT \$20 MILLION IN YEN TO BE RAISED WITHIN JAPAN, AND \$60 MILLION IN DOLLARS TO BE RAISED ON INTERNATIONAL MARKET. HE ESTIMATED INTEREST ON YEN PORTION AT SLIGHTLY OVER 8 PERCENT, WHILE INTEREST ON DOLLAR PORTION WOULD BE FLOATING AND WOULD BE TIED TO, BUT SLIGHTLY HIGHER THAN EURODOLLAR RATE. LOAN WOULD BE FOR 10-12 YEARS, WITH 5 YEAR GRACE PERIOD.

2. OZEKI SAID THAT IN HIS EARLIER MEETING WITH GOA OFFICIALS, THEY INDICATED THAT MONEY WOULD BE USED FOR INVESTMENTS IN ROADS, AND POSSIBLY RAILROADS. HE SAID HOWEVER THAT

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FUNDS WOULD NOT RPT NOT BE TIED TO PURCHASES IN JAPAN OR

ELSEWHERE.

3. FOLLOWING HIS MEETING WITH MIGUEL CUERVO, DIRECTOR GENERAL OF FINANCE, MINISTRY OF ECONOMY ON AUG 28, OZEKI REPORTED THAT GOA OFFICIALS DID NOT SEEM INTERESTED IN YEN PORTION OF PACKAGE, SINCE THEY CONSIDERED FURTHER REVALUATION OF YEN LIKELY OVER TERM OF LOAN, WHICH WOULD RESULT IN INCREASED COST TO GOA. THEY CONTINUED TO BE INTERESTED IN DOLLAR PORTION, HOWEVER, AND OZEKI INDICATED HE WOULD BE DISCUSSING THIS FURTHER WITH NIKKO HEAD OFFICE IN TOKYO THAT EVENING BEFORE RETURN TO NEW YORK AUG 29. ARGENTINE OFFICIALS NOW SAYING THAT FUNDS WOULD NOT BE EARMARKED FOR ANY SPECIFIC PURPOSE BUT COULD BE USED FOR BRIDGES (ZARATE-BRAZO LARGO), RAILROADS OR OTHER PURPOSE.

4. OZEKI SAID THAT IN MEETING WITH CUERVO, LATTER SAID HE HAD LETTER FROM QUOTE MAJOR EUROPEAN BANK UNQUOTE OFFERING ARGENTINA LOAN OF FIFTY MILLION DOLLARS OR MORE, WITH FLOATING INTEREST RATE EQUAL REPEAT EQUAL TO LONDON INTERBANK RATE. THIS LOAN ALSO WOULD BE FOR 10-12 YEARS, WITH 2-3 YEAR GRACE PERIOD. HE CLAIMED HE TOLD CUERVO THAT GOA WOULD BE WELL ADVISED TO ACCEPT SUCH AN OFFER. HE INDICATED TO US, HOWEVER, THAT HE FOUND IT DIFFICULT TO BELIEVE THAT ANY PRIVATE BANK OR BANKS WOULD OFFER SUCH A LOAN WITHOUT SOME SPREAD OR PREMIUM OVER THE LONDON RATE.

5. IN COURSE OF DISCUSSION, OZEKI REFERRED TO NUMBER OF US INVESTMENT COMPANIES, PARTICULARLY LAZARD FRERES, BUT IT WAS UNCLEAR WHAT PART IF ANY THEY PLAYING IN THIS PROPOSAL. HE DID SAY A DECISION TO GO AHEAD WITH LOAN WOULD REQUIRE APPROVAL OF JAPANESE FINANCE MINISTRY. HE EXPECTS TO RETURN TO ARGENTINA FOR FURTHER DISCUSSIONS POSSIBLY IN OCTOBER AND ALSO INDICATED HE MAY BE IN TOUCH WITH DEPARTMENT IN NEAR FUTURE. WHILE OZEKI CAME TO EMBASSY ON OWN INITIATIVE AND WILLINGLY DISCUSSED LOAN PROJECT BOTH BEFORE AND AFTER MEETING WITH GOA OFFICIALS, HE DID MAKE CLEAR PROPOSAL WAS IN PRELIMINARY STAGE AND ASKED THAT INFORMATION BE HELD CLOSELY.

6. THIS WAS FIRST INDICATION WE HAVE HAD OF CONCRETE DIS-LIMITED OFFICIAL USE

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CUSSIONS CONCERNING FOREIGN BANK LOANS TO NEW GOVERNMENT, AND TERMS AS DESCRIBED BY OZEKI SEEM MORE LIBERAL THAN WE WOULD HAVE EXPECTED. WHILE WE KNOW GOA CONSIDERING INTENSIFICATION OF PUBLIC SECTOR INVESTMENT PROGRAM DESPITE PROSPECTS FOR A VERY LARGE FISCAL DEFICIT IN 1973, WE ARE SURPRISED THAT CONSIDERATION BEING GIVEN TO FINANCING NEW PROGRAMS THIS TYPE THROUGH EXTERNAL BORROWING. WE FEEL THAT GOA MAY BE CHIEFLY INTERESTED IN DEMONSTRATING THAT FOREIGN CREDITORS ARE WILLING

TO LEND HERE.
LODGE

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